



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 63** SLS 09RS 49
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: June 8, 2009	6:41 AM	Author: DORSEY
Dept./Agy.: Revenue		
Subject: Tax Increment Financing		Analyst: Greg Albrecht

TAX/TAXATIONEG DECREASE GF RV See NotePage 1 of 1

Creates the Thomas H. Delpit Area Special District in the parish of East Baton Rouge and grants it certain TIF and tax authority to finance economic development projects within the district. (7/1/09)

Authorizes the creation of a new tax increment financing district encompassing a defined area within East Baton Rouge Parish, called the Thomas H. Delpit Area Special District. The district is authorized to implement ad valorem tax and sales tax increment financing, with participation of the state sales tax (by reference to R.S. 33:9038.34). With regard to tax increment financing, taxes remitted from businesses in the district above the level collected in the year immediately prior to the establishment of the district would be dedicated to any authorized purpose of the district or the payment of bonds to finance projects located within the district. The dedication of state sales tax increments must be approved by the Joint Legislative Committee on the Budget.
Effective upon governor's signature.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

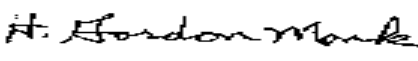
REVENUE EXPLANATION

The bill will result in a diversion of local ad valorem and sales taxes, and state sales taxes to the extent of state participation, of amounts to be determined once the district is functioning and the tax increments (growth) are determined. Until determined, the level of baseline sales tax collections within the district’s boundaries and any potential future increments (growth) that will be diverted by this bill are not specifically known at this time.

Tax increment financing results in net revenue reductions to the current tax recipient bodies (local and/or state) in various ways: (a) it diverts tax growth away from its current uses and toward the uses of the financing district, or (b) it diverts economic activity and the consequent tax revenue from areas outside the district to within the district, or (c) it encompasses areas that are currently experiencing economic growth or will experience growth and dedicates the tax resulting from that growth. The economic activity that generates much of sales tax or ad valorem tax collections (retail sales and property values) are largely an indication or symptom of a community’s growth and development and not a cause of that growth and development. That growth and development is part of the expected baseline of future activity. Dedication of the consequent revenue growth or increments is a loss to its existing uses and a gain only to the narrow confines of the increment financing district. The district created by the bill encompasses a portion of the city of Baton Rouge which is largely residential but may include some existing commercial establishments. Thus, the table above depicts decreases in local and state revenue baseline and an increase in the revenue dedicated to the new increment financing district.

The district could also raise local revenue, to the extent it exercises its authority to levy a sales tax, or ad valorem tax.

For information purposes, according to the Louisiana Department of Revenue (LDR), there are seven districts in the state that are currently receiving state tax increments. The state remitted approximately \$8.872 million in state sales taxes back to these districts as a whole in calendar year 2008; an average of \$1.267 million per district, ranging from \$261,349 to \$2.699 million (six of the seven are greater than \$500,000 annually). However, the amount and timing of any specific revenue dedicated as a result of the district created by this bill will depend on the specific characteristics of this particular district, and is indeterminable in advance.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	H. Gordon Monk Legislative Fiscal Officer